

**Lakefield Township**  
**Saginaw County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**March 31, 2008**

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**Lakefield Township**  
**List of Elected and Appointed Officials**  
**March 31, 2008**

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Township Board

Terry Crevia – Supervisor

Barbara Reist – Clerk

Mary Lou Fischer – Treasurer

Charles Shebester – Trustee

Donald Rohn – Trustee

## **Independent Auditors' Report**

To the Township Board  
Lakefield Township  
Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of Lakefield Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Lakefield Township as of March 31, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakefield Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

August 21, 2008  
Saginaw, Michigan

**Lakefield Township**  
**Statement of Net Assets**  
**March 31, 2008**

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	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 511,563
Receivables	
Taxes	14,158
Accrued interest and other	1,390
Due from other units of government	17,260
Capital assets not being depreciated	15,600
Capital assets, net of accumulated depreciation	<u>38,784</u>
 Total assets	 <u>598,755</u>
 <b>Liabilities</b>	
Accounts payable	6,344
Due to other units of government	<u>5,480</u>
 Total liabilities	 <u>11,824</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	54,384
Restricted for:	
Trash collection	36,131
Unrestricted	<u>496,416</u>
 Total net assets	 <u>\$ 586,931</u>

See Accompanying Notes to Financial Statements

**Lakefield Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Primary
				Government
				Governmental
				Activities
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	
		<u>Services</u>	<u>Grants and</u>	
			<u>Contributions</u>	
			<u>Capital</u>	
			<u>Grants and</u>	
			<u>Contributions</u>	
Functions/Programs				
<b>Primary government</b>				
Governmental activities				
General government	\$ 77,329	\$ 3,200	\$ -	\$ -
Public safety	69,814	4,070	-	-
Public works	151,967	40,873	2,101	-
Health and welfare	354	-	-	-
Community and economic development	2,935	-	-	-
Recreation and culture	16,206	-	-	-
	<u>\$ 318,605</u>	<u>\$ 48,143</u>	<u>\$ 2,101</u>	<u>\$ -</u>
Total primary government				(268,361)
General revenues				
Property taxes				161,689
State shared revenue				76,870
Unrestricted investment earnings				14,333
Miscellaneous				478
				<u>253,370</u>
Total general revenues				
Change in net assets				(14,991)
Net assets - beginning of year				<u>601,922</u>
Net assets - end of year				<u>\$ 586,931</u>

See Accompanying Notes to Financial Statements

**Lakefield Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2008**

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	<u>General</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 511,563
Receivables	
Taxes	14,158
Accrued interest and other	1,390
Due from other units of government	<u>17,260</u>
 Total assets	 <u><u>\$ 544,371</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 6,344
Due to other units of government	5,480
Deferred revenue	<u>5,735</u>
 Total liabilities	 <u>17,559</u>
 <b>Fund Balances</b>	
Reserved for:	
Trash collection	36,131
Unreserved	
Designated for:	
Cemetery care	80,362
Unreserved	<u>410,319</u>
 Total fund balances	 <u>526,812</u>
 Total liabilities and fund balances	 <u><u>\$ 544,371</u></u>

See Accompanying Notes to Financial Statements



**Lakefield Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2008**

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<b>Total fund balances for governmental funds</b>	\$ 526,812
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,384
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>5,735</u>
<b>Net assets of governmental activities</b>	<u>\$ 586,931</u>

**Lakefield Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2008**

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	<u>General</u>
<b>Revenues</b>	
Taxes	\$ 161,689
Licenses and permits	4,070
State revenue sharing	76,975
Other state grants	2,101
Charges for services	42,573
Fines and forfeitures	2
Interest income	14,333
Rental income	1,500
Other revenue	<u>476</u>
 Total revenues	 <u>303,719</u>
<b>Expenditures</b>	
Current	
General government	68,390
Public safety	69,814
Public works	151,967
Health and welfare	354
Community and economic development	2,935
Recreation and culture	16,206
Other functions	<u>5,495</u>
 Total expenditures	 <u>315,161</u>
 Net change in fund balance	 (11,442)
 Fund balance - beginning of year	 <u>538,254</u>
 Fund balance - end of year	 <u>\$ 526,812</u>

See Accompanying Notes to Financial Statements

**Lakefield Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2008**

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**Net change in fund balances - Total governmental funds** \$ (11,442)

Total change in net assets reported for governmental activities in the statement of activities  
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (3,444)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue  
in the funds.

State shared revenue (105)

**Change in net assets of governmental activities** \$ (14,991)

**Lakefield Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Lakefield Township became a Township in 1875 and is located in Saginaw County. Lakefield Township is governed by an elected five-member Board.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Lakefield Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following:

Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals. At the end of the year the Agency Fund had no assets or liabilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as

“advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$25,036,945, on which ad valorem taxes consisted of 0.9450 mills for operating purposes. This resulted in \$23,664 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

**Lakefield Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative data**

Comparative data is not included in the government's financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Excess of Expenditures over Appropriations**

The Township incurred expenditures in excess of budget in the General Fund. Excess expenditures occurred in the following areas:

	<u>Final Budget</u>		<u>Actual</u>		<u>Excess</u>
General Fund					
Public safety	\$ 7,856	\$	69,814	\$	61,958
Recreation and culture	1,200		16,206		15,006

Unbudgeted tax revenue offset public safety and library budget overages.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the government's deposits and investments were recorded in the basic financial statements in the following category:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 511,563

# Lakefield Township

## Notes to Financial Statements

### March 31, 2008

The breakdown between deposits and investments for the Township is as follows:

Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 433,440
Investments in securities, mutual funds and similar vehicles	<u>78,123</u>
	<u>\$ 511,563</u>

As of year end, the Township had the following investments:

Deposit	Fair Value	Maturities	Rating	Rating Organization
FHLB	\$ <u>78,123</u>	Daily	Aaa	Moody's

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment

policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$196,117 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

All receivables are expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
State shared revenue	<u>\$ 5,735</u>

# Lakefield Township

## Notes to Financial Statements

### March 31, 2008

#### NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets being depreciated				
Land improvements	13,400	-	-	13,400
Buildings, additions and improvements	78,651	-	-	78,651
Machinery and equipment	10,366	-	-	10,366
Total capital assets being depreciated	102,417	-	-	102,417
Less accumulated depreciation for				
Land improvements	1,295	536	-	1,831
Buildings, additions and improvements	49,398	2,652	-	52,050
Machinery and equipment	9,496	256	-	9,752
Total accumulated depreciation	60,189	3,444	-	63,633
Net capital assets being depreciated	42,228	(3,444)	-	38,784
Governmental activities capital assets, net	\$ 57,828	\$ (3,444)	\$ -	\$ 54,384

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities

General government \$ 3,444

#### NOTE 6 - RELATED PARTY

Lakefield Township has an intergovernmental service agreement with the Jonesfield - Lakefield Fire District. The Township levies and collects property taxes on behalf of the Fire District. Those are included in the revenues and expenditures of the Township. On July 26, 2001, Jonesfield Township borrowed \$225,000 to purchase a fire truck for the District. A portion of the fire district property tax levy will

be used to make payments on the note. The balance of the note as of March 31, 2008 is \$135,000. In the current year \$64,847 was collected in property taxes and paid out.

#### NOTE 7 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Lakefield Township contributes to the Lakefield Township Group Pension Plan which is a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by an employee and Township vest immediately. An employee who leaves employment of the Township is entitled to contributions made plus any interest earned. Certain employees of the Township are eligible to participate. The Township is required to contribute 20% of an employee's base salary. The Township's current year covered payroll and its total current year payroll for all employees



**Lakefield Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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amounted to \$29,075 and \$36,506, respectively. During the year the Township's required and actual contributions amounted to \$5,815. Employees made no contributions to the Plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The Plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

**NOTE 9 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Lakefield Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 71,156	\$ 71,156	\$ 152,451	\$ 81,295
Administration fee	8,844	8,844	9,238	394
Licenses and permits	1,500	1,500	4,070	2,570
State revenue sharing	75,000	75,000	76,975	1,975
State grants	2,125	2,125	2,101	(24)
Charges for services	41,478	41,478	42,573	1,095
Fines and forfeitures	50	50	2	(48)
Interest income	7,000	7,000	14,333	7,333
Rental income	1,500	1,500	1,500	-
Other revenue	600	600	476	(124)
Total revenues	<u>209,253</u>	<u>209,253</u>	<u>303,719</u>	<u>94,466</u>
<b>Expenditures</b>				
General government				
Township board	5,075	5,089	4,283	(806)
Supervisor	8,476	8,490	8,361	(129)
Accounting	2,000	3,065	3,060	(5)
Clerk	11,284	11,334	10,603	(731)
Audit	200	200	-	(200)
Board of review	1,692	1,692	1,323	(369)
Treasurer	17,641	17,882	15,544	(2,338)
Assessor	8,776	8,776	8,255	(521)
Elections	1,922	1,922	1,651	(271)
Buildings and grounds	9,024	9,658	7,606	(2,052)
Attorney	1,520	1,563	1,225	(338)
Cemetery	9,287	9,287	6,479	(2,808)
Total general government	<u>76,897</u>	<u>78,958</u>	<u>68,390</u>	<u>(10,568)</u>

**Lakefield Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety				
Fire department	\$ 5,200	\$ 2,919	\$ 65,042	\$ 62,123
Building inspection department	<u>4,583</u>	<u>4,937</u>	<u>4,772</u>	<u>(165)</u>
Total public safety	<u>9,783</u>	<u>7,856</u>	<u>69,814</u>	<u>61,958</u>
Public works				
Drains	15,547	15,547	15,547	-
Highways, streets and bridges	153,887	153,887	97,028	(56,859)
Refuse collection	<u>39,600</u>	<u>39,600</u>	<u>39,392</u>	<u>(208)</u>
Total public works	<u>209,034</u>	<u>209,034</u>	<u>151,967</u>	<u>(57,067)</u>
Health and welfare				
Ambulance	<u>354</u>	<u>354</u>	<u>354</u>	<u>-</u>
Community and economic development				
Planning	3,105	3,125	1,262	(1,863)
Zoning	<u>1,658</u>	<u>1,673</u>	<u>1,673</u>	<u>-</u>
Total community and economic development	<u>4,763</u>	<u>4,798</u>	<u>2,935</u>	<u>(1,863)</u>

**Lakefield Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Recreation and culture				
Parks and recreation	\$ 1,200	\$ 1,200	\$ 1,200	\$ -
Library	-	-	15,006	15,006
Total recreation and culture	1,200	1,200	16,206	15,006
Other functions				
Insurance and bonds	4,000	4,595	4,595	-
Unallocated employee fringe benefits	900	900	900	-
Contingency	5,000	4,233	-	(4,233)
Total other functions	9,900	9,728	5,495	(4,233)
Total expenditures	311,931	311,928	315,161	3,233
Excess (deficiency) of revenues over expenditures	(102,678)	(102,675)	(11,442)	91,233
Fund balance - beginning of year	538,254	538,254	538,254	-
Fund balance - end of year	<u>\$ 435,576</u>	<u>\$ 435,579</u>	<u>\$ 526,812</u>	<u>\$ 91,233</u>

August 21, 2008

Township Board  
Lakefield Township  
4475 S Merrill Road  
Merrill, MI 48637

We have completed our audit of the financial statements of Lakefield Township as of and for the year ended March 31, 2008 and have issued our report dated August 21, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Communication of Internal Control Matters Identified During the Audit

II Auditors' Communication of Significant Matters with Those Charged with Governance

III Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

YEO & YEO, P.C.  
CPAs and Business Consultants

## Appendix I

### Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Lakefield Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Lakefield Township internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

#### **Documentation of Internal Controls**

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

Appendix II  
Communication to Those Charged with Governance

**Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated March 13, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit as outlined in our discussion with you related to planning matters on March 13, 2008.

**Significant Audit Findings**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

**Difficulties Encountered During the Audit - *None***

**Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

**Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

**Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

**Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.



## Appendix III Management Comments

In planning and performing our audit of the financial statements of Lakefield Township as of and for the year ended March 31, 2008, we considered Lakefield Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date August 21, 2008, on the financial statements of Lakefield Township. Our comments and recommendations regarding those matters are:

### Current Year Comments

#### AUDIT ADJUSTING JOURNAL ENTRIES

In the current year we made several audit adjustments. Many of these adjustments were to convert your cash basis records to the accrual basis. However, some of the entries were routine accrual entries that had to be posted or reversed from the prior year. Under the new audit standards auditors are required to communicate these adjustments to those charged with governance.

We suggest that management review the current year adjustments and make sure that prior to giving the auditors the final trial balances in future years that these adjustments are posted. We are willing to work with Township staff prior to year end to minimize the number of entries and make sure that the year end trial balance is complete.

#### BANK RECONCILIATION APPROVAL

During our review of internal controls we noted that bank reconciliations were prepared accurately and timely. However, part of the monitoring of internal controls is for an individual separate from the bank reconciliation process review the bank reconciliation each month to look for unusual items. During the current year the Clerk has been reviewing the bank reconciliation each month but does not sign off on the reconciliation or initial it showing her review and approval. We recommend the Clerk sign off each month on the reconciliation showing her approval and to maintain these approved bank reconciliations on file.

### Prior Year Comments and Status

<u>Prior Year Comment</u>	<b>Progress</b>		<b>No Progress</b>
	<u>Addressed</u>	<u>Made</u>	<u>Made</u>
Disaster Recovery - routine computer back ups	X		
Supporting documentation for journal entries	X		